

Department of Planning and Budget 2014 Fiscal Impact Statement

1. Bill Number: SB48

House of Origin Introduced Substitute Engrossed
Second House In Committee Substitute Enrolled

2. Patron: Stuart

3. Committee: Commerce and Labor

4. Title: Eastern Virginia Groundwater Management Area; prohibition on oil and gas drilling.

5. Summary: This bill would require those seeking to drill for oil and gas in the Eastern Virginia Groundwater Management Area to obtain a permit from the Department of Mines, Minerals, and Energy (DMME). This bill will require that any entity which desires to drill for oil or gas in the Eastern Virginia Groundwater Management Area must submit an environmental impact assessment to DMME along with the application for a permit to drill. In addition to existing environmental impact assessment requirements, the assessment will include the impact on surface and ground water quality and supply, as well as an assessment of ambient ground water and drinking water quality within 4,000 feet of a proposed well prior to drilling. DMME would then coordinate with the Department of Environmental Quality (DEQ) to review the environmental impact assessment. DEQ is required to develop regulations on the preparation and evaluation of environmental impact assessments.

Additionally, in the event that exploration activities in the Eastern Virginia Ground Water Management Area result in the likely and imminent production of commercially recoverable quantities of oil, DMME will be required to notify the Secretary of Commerce and Trade and the Secretary of Natural Resources. At that time, the Secretaries will be required to develop a joint report to the Governor and the General Assembly assessing the environmental risks and safeguards; transportation issues; state-of-the-art oil production well technology; economic impacts; regulatory initiatives; operational standards; and other matters related to the production of oil in the region.

The introduced version of this bill would have banned all drilling in the Eastern Virginia Groundwater Management Area.

6. Budget Amendment Necessary: No.

7. Fiscal Impact Estimates: Indeterminate. See item 8, below.

8. Fiscal Implications: This bill will limit drilling in the Taylorsville Basin to those with a permit who have also completed an environmental impact assessment. Given that currently there is no active drilling in the Taylorsville Basin; it is difficult to determine how this bill would impact the demand for drilling in the Eastern Virginia Groundwater Management

Area. As a result, the potential fiscal impact to DMME and DEQ resulting from permit and environmental impact assessment review is indeterminate.

This bill would require DEQ to issue regulations setting forth the criteria and procedures preparation and evaluation of environmental impact assessments. It is anticipated that DEQ would be able to complete work on issuing regulations using existing resources. Any limitation on drilling would result in a de facto forfeiture of potential severance tax revenue to the affected localities. Localities are authorized to levy a severance tax that is capped at one percent of the gross receipts from the sale of coal or gases severed within such city or county. However, only eight localities in the Commonwealth currently impose a severance tax on coal or natural gas sales. None of the counties that currently impose the severance tax are located in the Eastern Virginia Groundwater Management Area.

9. Specific Agency or Political Subdivisions Affected: Department of Mines, Minerals and Energy, Department of Environmental Quality, Secretary of Commerce and Trade and the Secretary of Natural Resources, localities.

10. Technical Amendment Necessary: No.

11. Other Comments: None.